



Second Interim Financial Report

Glendale Unified School District Board Meeting – March 15, 2011

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Chief Business and Financial Officer





Second Interim Report and Certification (Background)

- **AB 1200** and **AB 1708** **require county offices to monitor** and review district budget and financial reports
- Districts are **required** to submit two interim budget reports (**December 15 & March 15**) determining if they can meet their financial obligations in the **current** and the **two subsequent years (3 year Budget)**
- The County certifies each report as “**positive**”, “**qualified**”, or “**negative**” based on the ability of the district to meet its financial obligations
- The **second interim** report represents the actual and **projected financial position** of the General Fund as of **January 31, 2011**.

Second Interim Report and Certification

- Scenario 1 – Flat Funding (Best Case)

Requires Legislative & Voter Support

\$18.32 Cut per ADA → \$460,000

Required to
be used for
2nd Interim.

- Scenario 2 – If Elections Fail – SSC Projection

\$348.32 Cut per ADA → \$8.8 m

- Scenario 3 – If Elections Fail – LAO Projection

\$800 Cut per ADA → \$20.3 m

Second Interim Report and Certification

Revenue Limit Per ADA Impact of COLA & Deficit Factor Changes

	State 2010-11 Budget Finalized Oct. 2010	Governor's Proposed Budget 2011-12 Jan. 2011
2009-10	\$4,946	\$4,946
2010-11	\$5,203 ↑	\$5,203
2011-12	\$5,203	\$4,855 ↓
2012-13	\$5,203	\$4,855 ↓
2013-14	\$5,203	\$4,855 ↓

Impact \$26 Million Over 3 Year Budget

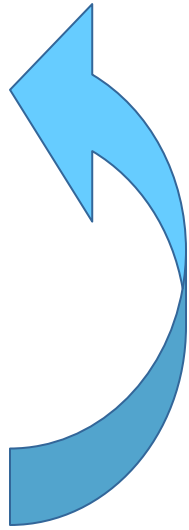
Multi-Year Budget Assumptions

Category	2009-10 Actual	2010-11	2011-12	2012-13	2013-14
REVENUE LIMIT					
- Cost of Living Adjustment (COLA) 3/15/11 Second Interim	4.25%	(0.39)% (0.39)%	0.00% 1.67%	0.00% 0.00%	0.00% 0.00%
- Deficit Factor - Adopted Budget 10/19/10 Board 3/15/11 Second Interim	18.36%	18.36% 17.96% 17.96%	18.36% 17.96% 19.61%	18.36% 17.96% 19.61%	18.36% 17.96% 19.61%
- COLA Increase- Adopted Budget 10/19/10 Board 3/15/11 Second Interim	(429.00)	(20.00) 4.45 4.45	0.00 0.00 (18.32)	0.00 0.00 (18.32)	0.00 0.00 (18.32)
- Additional State Adjustment - Adopted Budget 3/15/11 Second Interim	(253.00)	(245.00) 0.00	(244.00) (330.00)	(244.00) (330.00)	(244.00) (330.00)
- Revenue Limit per ADA 10/19/10 Board 3/15/11 Second Interim	\$4,946	\$4,933 \$5,203 \$5,203	\$4,934 \$5,203 \$4,855	\$4,934 \$5,203 \$4,855	\$4,934 \$5,203 \$4,855
- Net Revenue Limit Change 3/15/11 Second Interim	(12.07)%	5.17% 5.17%	0.00% (6.7)%	0.00% (6.7)%	0.00% (6.7)%
- Revenue Limit ADA	25,765	25,411	25,172	24,907	24,782
- Enrollment - First Interim 3/15/11 Second Interim	26,659	26,196 26,393	25,923 26,119	25,792 25,986	25,684 25,879
Interest	\$826,817	\$900,000	\$900,000	\$900,000	\$900,000
Lottery (Per ADA)	\$111.37	\$110.00	\$110.00	\$110.00	\$110.00

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Revenue Limit Funding Per ADA

■ 2004-05	\$4,798
■ 2007-08	\$5,778
■ 2010-11	\$5,203
■ 2011-12 Projected	\$4,855



Funding rolled back 7 years

2011-12 Projected Revenue has declined to the 2004-05 level.

Multi-Year Budget Assumptions

One-Time Funding Flexibility and Reserves

Category	2009-10 Actual	2010-11	2011-12	2012-13	2013-14
"SOLVENCY" TRANSFERS					
- Special Ed. Reserve - (Depleted by end of 2012-13)	\$0	\$0	\$2,250,000	\$1,110,000	\$0
- Post-Employment Benefits Fund #20.0 - (Depleted by end of 2012-13)	\$0	\$0	\$3,750,000	\$2,500,000	\$0
- Restricted Major Maintenance Reserve - (Depleted by end of 2012-13)	\$0	\$0	\$3,000,000	\$1,000,000	\$0
- No Deferred Maintenance Transfer - (Legally ends 2014-15)	\$1,238,000	\$1,238,000	\$1,238,000	\$1,238,000	\$1,238,000
- Deferred Maintenance Fund Revenue to General Fund - (Legally ends 2014-15)	\$907,000	\$907,000	\$907,000	\$907,000	\$907,000
ARRA - FEDERAL STIMULUS FUND					
- Title I ARRA - Revised (9/15/09 Board)	\$1,809,025	\$1,453,204	\$0	\$0	\$0
- IDEA ARRA - Revised (9/15/09 Board)	\$5,460,233	\$0	\$0	\$0	\$0
- SFSF ARRA - Revised (10/11 income carryover, additional revenue & offset to State Categorical Cuts)	\$9,348,671	\$2,345,571	\$0	\$0	\$0
- Federal Jobs Program - (10/19/10 Board)	\$0	\$4,466,300	\$0	\$0	\$0

These Resources mask the on-going Structural Deficit.

Multi-Year Budget Assumptions

Category	2009-10 Actual	2010-11	2011-12	2012-13	2013-14
EMPLOYEE BENEFITS					
- STRS	8.25%	8.25%	8.25%	8.25%	8.25%
- Workers Comp	2.46%	1.31%	1.31%	2.60%	2.60%
Utilizing Fund #67.1 Balance	0%	1.29%	1.29%	0.00%	0.00%
- Retiree Benefits	2.00%	2.21%	2.21%	2.21%	2.21%
- Health Insurance Increase - Adopted budget	-	\$3,650,000	\$2,750,000	\$2,750,000	\$2,750,000
1st Interim	Actuals	Actuals	\$2,750,000	\$2,750,000	\$2,750,000

Second Interim Report and Certification

2010-11 Cost Saving Strategies – Currently Implemented

2010-11 Reductions

Administration Reorganization 10 FTE	1,100,000
Maintenance Workers 7 FTE	450,000
Special Education 7.4 FTE	500,000
School Safety Grants Sweep (one-time)	1,200,000
Restricted Lottery Utilization	500,000
Charge Food Service Indirect Cost	350,000
Middle School reduce 1 FTE per 1,000 students 3 FTE	300,000
High School reduce 1 FTE per 1,000 students 9 FTE	900,000
Clark MHS adjust to 6 periods 4 FTE	400,000
High School Administrative Secretary 3 FTE	168,750
Daily HS reduce counseling 1 FTE	100,000
Summer School Cost Reduction	1,000,000
COPS Payment Shifted to Capital Fund	1,270,000
Health Insurance - Plan Redesign	900,000
Health Insurance - Contribution Cap	4,400,000
PARS Early Retirement Eff. 7/1/2010 - \$2.3 million partially reflected in FTE cuts	---
Workers Comp - Utilize Fund 67.1 Balance	1,400,000
Class Size K-3 to 24.95:1 Ratio	<u>3,400,000</u>
TOTAL	18,338,750

**Note: Reductions and flexibility options implemented in prior years continued into 2010-11.
No Salary Roll Backs or Furlough days implemented.**



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2010-11 Cost Saving Strategies – Currently Implemented

Tier III Sweeps – Programs Eliminated

- **Community Based Tutoring Grants**
- **Instructional Material Block Grant**
- **9th Grade CSR**
- **Physical Education Teacher Incentive**
- **Supplemental Counseling Program**
- **Arts & Music Block Grant**
- **Beginning Teacher Support Block Grant – partial**
- **Deferred Maintenance Match Transfer**
- **Deferred Maintenance Revenue**

Negotiated Changes to Employee Calendars

- **Furlough Days 2011-12 3 days = 1.5%**
- **Furlough Days 2012-13 4 days = 2%**



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2010-11 Cost Saving Strategies – Currently Implemented

Reserve Balance Utilization Plans

- **Restricted Maintenance Account**
- **Special Education**
- **GASB 45 Reserves**
- **Workers Compensation Fund**

Budget Adjustment Impact on Unrestricted General Fund Ending Balance

SCENARIO 2 STATE TAX ELECTION FAILS - GOVERNOR'S JANUARY BUDGET PROPOSAL

Reflects Increased Deficit Factor and Additional Cut

Scenario 2 Adjustments Are Reflected In The State Software Second Interim Reports

Major Changes	2010-11	2011-12	2012-13	2013-14
First Interim Ending Balance Projection	\$ 39,509,651	\$ 37,945,876	\$ 21,300,266	\$ (9,405,699)
Restatement of Beginning Balance	\$ (2,535)			
IMPACT OF THE GOVERNOR'S JANUARY BUDGET PROPOSAL - SCENARIO 2				
2011-12 Adjustments				
Adjust Revenue Limit - 1.67% COLA & Increase Deficit to 19.608%	\$ -	\$ (461,151)	\$ (456,296)	\$ (454,006)
Additional Cut of \$330 per ADA		\$ (8,306,760)	\$ (8,219,310)	\$ (8,178,060)
2012-13 Adjustments				
Restore K-3 CSR Revenue For Change to 24.94:1 Class Size Ratio			\$ 1,440,664	\$ 1,440,664
Restore Base K-3 CSR Revenue (Flexibility Extended)			\$ 3,302,395	\$ 3,302,395
Other - Special Education Mental Health Services	\$ (950,000)			
Other - Special Education SDA Eliminated		\$ (410,000)	\$ (410,000)	\$ (410,000)
Other - Special Education Additional Federal Funding		\$ 85,000	\$ 85,000	\$ 85,000
Other - EELP Special Education Inclusion Fee Charges	\$ (75,000)	\$ (75,000)	\$ (75,000)	\$ (75,000)
Other - Summer School Adjustment	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Other - Education Jobs Fund Adjustment (final 10%)	\$ 496,255			
Other - Carry-over Adjustment for Tier III	\$ (43,969)			
Current Year Impact	\$ (275,249)	\$ (8,867,911)	\$ (4,032,547)	\$ (3,989,007)
Cumulative Impact to Ending Balance	\$ (275,249)	\$ (9,143,160)	\$ (13,175,707)	\$ (17,164,715)
SCENARIO 2 Adjusted Ending Balance Projection	\$ 39,234,402	\$ 28,802,716	\$ 8,124,559	\$(26,570,414)
Designated and Restricted Portion:				
Revolving Cash	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Stores	\$ 117,345	\$ 117,345	\$ 117,345	\$ 117,345
3% Mandated Reserve for Economic Uncertainties	\$ 6,635,535	\$ 6,448,295	\$ 6,580,914	\$ 6,811,087
Fund Balance Designation	\$ 10,555	\$ 10,555	\$ 10,555	\$ 10,555
SCENARIO 2 Adjusted Balance in Excess of 3% Reserve	<u>\$ 32,400,967</u>	<u>\$ 22,156,521</u>	<u>\$ 1,345,745</u>	<u>\$(33,579,401)</u>

Shortfall 

Scenario 2 Unrestricted General Fund Summary - Second Interim (in millions)

Category	2009-10 Actual	2010-11	2011-12	2012-13	2013-14
Revenues					
Revenue Limit	122.81	128.26	118.00	116.76	116.05
Other Revenue	29.75	28.75	24.65	24.57	23.65
Other Financing Sources	(8.42)	(20.22)	(10.82)	(15.33)	(20.03)
Total Revenue	144.14	136.79	131.83	126.00	119.67
Expenditures	(141.22)	(137.13)	(142.26)	(146.68)	(154.36)
Impact on Ending Fund Balance	2.92	(0.34)	(10.43)	(20.68)	(34.69)
Beginning Balance	36.64	39.57	39.23	28.80	8.12
Current Year Change (Deficit Spending)	2.92	(0.34)	(10.43)	(20.68)	(34.69)
Ending Fund Balance	39.57	39.23	28.80	8.12	(26.57)
Components of Fund Balance					
Reserve Warehouse & Revolving Cash	0.17	0.19	0.19	0.19	0.19
3% Reserve	6.92	6.64	6.45	6.58	6.81
Other Designations and Carry-Overs	5.91	0.01	0.01	0.01	0.01
Undesignated Balance	26.57	32.39	22.15	1.34	(33.58)
Total Ending Fund Balance	39.57	39.23	28.80	8.12	(26.57)

Deficit Spending

Shortfall

Scenario 1 Unrestricted General Fund (If State Election Passes)

Ending Fund Balance	39.57	39.23	28.80	8.12	(26.57)
Reverse Out the \$330 per ADA Reduction	-	-	8.31	16.53	24.70
Ending Balance Would Become	39.57	39.23	37.11	24.65	(1.87)
Need to Restore 3% Reserve					(7.01)
Additional Funds Needed to Balance Budget					(8.88)

Second Interim Report and Certification

Unrestricted General Fund Ending Balance Projection

Measure S Impact

	2011-12	2012-13	2013-14
Scenario 2 (\$348.32)	\$28.80	\$8.12	(\$26.57)
With Measure S \$20M	\$48.80	\$28.12	(\$6.57)
			+ 7.01 (3% Reserve)
	Need to Cut		(\$13.58)
Scenario 1 (\$18.32)	\$37.11	\$24.65	(\$1.87)
With Measure S \$20M	\$57.11	\$44.65	\$18.13
	No Reductions Needed for 2013-14		



Second Interim Report and Certification

- **The District in Scenario 2 will meet its 3% Reserve Requirement in 2010-11, 2011-12, and 2012-13**

Therefore

The Administration is recommending a Positive Certification

But Be Aware

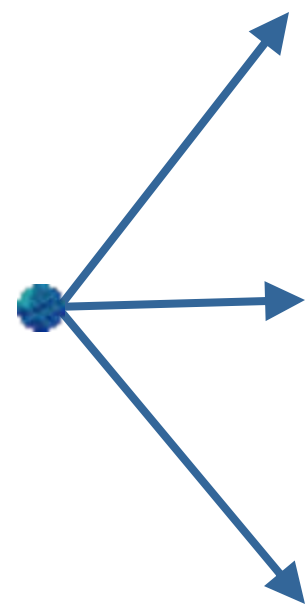
- **2013-14: Without Measure S → Negative \$33.58 million
With Measure S → Negative \$13.58 million**



Second Interim Report and Certification

Fundamental Building Blocks to Support Instructional Program (December 14 Discussion)

GOAL



No Additional Layoffs to the Base Staffing – This does not include Categorical Programs (SBCP, Federal Programs, EEELP, etc.)

Reduce/Eliminate Furlough Days in Future Years

Maintain K-3 Staffing at 24 Students Per Class



Second Interim Report and Certification

Recommendation to the Board To Maintain Flexibility

March 15th Notices ➡ Potential Reassignment

- All Teacher Specialists**
- All Assistant Principals**
- All EEELP Supervisors**



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If Needed: Areas for Future Consideration

■ Negotiations

- ▶ Salary Roll Backs**
- ▶ Furlough Days**
- ▶ Step and/or Column Freeze**
- ▶ Health Insurance Plan Design Changes**

GTA President: “The most important thing is class size”

(Public Comment – March 1, 2011)



Second Interim Report and Certification

Items With A Critical Impact General Fund

- ⊕ **June – Governor’s Proposed
Election to Extend Taxes**
- ⊕ **April - Measure S Election
\$20 m Impact**